



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
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Santa Barbara, CA 93101
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27 AUG 19 PM 3:08

COUNTY OF SANTA BARBARA
CLERK OF THE
BOARD OF SUPERVISORS

Department Name: **BOS**
Department No.: 011
For Agenda Of: August 26, 2008
Placement: Departmental
Estimated Time: 2 Hours
Continued Item: Yes. File No. 08-00707
If Yes, date from: July 15, 2008
Vote Required:

TO: Board of Supervisors
FROM: Supervisor Firestone, 3rd District Supervisor
Supervisor Centeno, 5th District Supervisor
SUBJECT: Energy Crisis

Jo
Brando Firestone

County Counsel Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

- Receive a presentation from staff and representatives of oil interests regarding the current state of oil and natural gas resources as relates to the County of Santa Barbara; and
- Receive testimony from the general public regarding oil activities and energy programs relating to Santa Barbara County; and
- Approve the submission of a letter to the Governor of the State of California calling for a change in policy to allow expanded oil exploration and extraction in the Santa Barbara County region.

Background:

The current and projected state of the Santa Barbara County financial resources to continue basic County services calls for an aggressive stance on the development of new revenues. Additionally, there is a growing concern on a local, state and national level for the need to assess potential energy resources to reduce dependence on foreign sources.

The technology of oil drilling has changed significantly over the past four decades. Coupling this with the economic impacts resulting from the volatility of oil production in other parts of the world outside the United States strongly suggests that the State of California needs to assess its policies relating to new exploration and extraction of oil in lands controlled by the State.

Enclosed as Attachment A is a summary of energy facts prepared by staff at our request which provides an overview of national, state and county status. It provides facts regarding current use and potential

sources for future use. With regard to oil and natural gas in the Santa Barbara County region, the following are estimates of remaining reserves:

- Currently producing leases: 13.2 million barrels of oil, 13.9 billion cubic feet of natural gas
- Undeveloped reserves on developed leases: 187.4 million barrels of oil, 47.9 billion cubic feet of natural gas
- Unleased state lands: 761 million barrels of oil, 189 billion cubic feet of natural gas (includes Tranquillon Ridge)

The off-shore area of Southern California Planning Area has significantly higher potentially and economically recoverable oil (4.47 billion barrels) and natural gas (8 trillion cubic feet).

Given the current budget constraints of the County, it is only prudent to support the exploration and extraction of oil and natural gas both on and off shore, with an enhancement of revenues to local governments. Staff prepared estimates demonstrating the financial impact of oil on our General Fund and Fire District funds. These estimates are reflected in the following charts:

County Revenue for Oil Companies	
Fees	\$1,635,435
California Royalty Revenue	\$78,983
Coastal	\$623,000
Property Taxes	\$3,203,906
	\$5,541,324

Chart 1

Future Preliminary Rough Estimates of Property Tax and Royalty Sharing from PXP Tranquillon Ridge & Venoco Full Field Developments at 100 per barrel of oil			
	Property Tax	Royalty	Total
PXP Tranquillon Ridge (14 year life & 1% of State Royalty Revenue)	\$8,522,857	\$1,000,000	\$9,522,857
Venoco South Ellwood Field (30 year life & 21% of State Royalty Rate)	\$1,760,667	\$6,580,000	\$8,340,667
Venoco Paredon (15 year life & 8.4% of State Royalty Rate)	\$2,052,000	\$2,251,000	\$4,303,000
TOTAL:	\$12,335,524	\$9,831,000	\$22,166,524

Chart 2

The County currently receives approximately \$5.5 million in revenues from oil operations. Based on an estimated \$100 per barrel and activation of PXP Tranquillon Ridge, Venoco South Ellwood and Venoco Paredon fields, the County could receive, on average, over \$22 million annually over the next 14 years.

The figures in Chart 2 are rough estimates based on projected reserves by the involved oil companies. The property tax figures have not been validated by the County Assessor and are the subject of a number of assumptions yet to be tested.

The County of Santa Barbara cannot afford to pass on the maximization of the potential of the revenues to be derived from the oil and gas reserves projected to exist, including increased local government percentage participation the revenues derived from the producers. The improvements in technology to prevent spills, the reduction of seepage resulting from enhanced production techniques, the economic impacts resulting from world demand and tensions, and the potential for pre-emption by the federal government all combine to justify an aggressive proactive position by the State of California to maximize the benefits of expanded oil and natural gas exploration and extraction. Therefore it is recommended that the Board of Supervisors approve the submittal of a letter to Governor Arnold Schwarzenegger for a change in policy to allow expanded exploration and extraction of oil and natural gas (Attachment B).

Attachments:

Attachment A – Appendix A: World Energy Profile
 Appendix B: Nation Energy Profile
 Appendix C: California Energy Profile

Attachment B – Letter to Governor Arnold Schwarzenegger

ATTACHMENT B

August 26, 2008

The Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

Dear Governor,

As you are well aware, the policy of Santa Barbara County, in the past, has been to limit oil exploration and extraction. Currently, new facts and considerations have caused the County Board of Supervisors to review this policy, and we are forwarding these considerations to you along with our recommendation.

Since the traumatic oil spill in 1969, significant technological improvements on methods of extraction have been made which should appreciably mitigate such spills from happening in the future. Indeed, there have been no significant oil spills in offshore production in the almost forty years since that spill.

Studies have been conducted on the offshore natural seeps that conclude that oil extraction actually mitigates the natural seepage. Extraction reduces the pressure that creates seeps to occur, thereby reducing the amount of oil and gas that is introduced into the water and air.

The international oil market has placed an unfortunate burden on our economy and population. An indication that we are pursuing increased oil extraction would immediately have a depressing effect on the international price of oil, to the benefit of our country. A change in policy and the cooperation of state and local permitting considerations could increase oil supplies in the near future, reducing the economic burden of our dependence on international oil supplies.

Our county will be dealing with a severe financial shortfall next year that could well limit our ability to supply basic county services, and the State is also experiencing similar financial difficulties. An increase in oil extraction would have an important beneficial effect on our state and local budgetary crisis.

Our county is experiencing the initial effects of an increase in unemployment as the various fallouts of the national and local sectors begin to affect our economy. It would seem logical to allow the economic stimulus of employment in the oil industry to benefit our working family population.

Lastly, our county has long been concerned about the possibility of a national fuel emergency, brought on by an international crisis that would cause our federal government to preempt local and state policy for the needs of our national population and economy. If that were to occur, the County would have less authority in environmental safeguards, oversight and economic benefits. A better policy would be to allow a gradual and intelligent expansion of oil exploration and extraction, rather than to accomplish the same under emergency conditions.

For all the above reasons, the population and leadership of Santa Barbara County are suggesting that the State consider a change in policy that would allow expanded oil exploration and extraction in our county. We further suggest that, in keeping with past practices, such expansion would continue the best environmental, aesthetic and economic policies to maximize the benefits and minimize the possible problems for our community.

The Board of Supervisors

